

December 27, 2001

D.T.E. 01-79

Petition of Cambridge Electric Light Company and Commonwealth Electric Company for approval of their Transition Charge Reconciliation filing, pursuant to G.L. c. 164, §1A(a), 220 C.M.R. § 11.03 (4)(e), and D.P.U./D.T.E. 97-111.

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FOR: COMMONWEALTH ELECTRIC COMPANY and
CAMBRIDGE ELECTRIC LIGHT COMPANY
Petitioner

I. INTRODUCTION

On December 3, 2001, Commonwealth Electric Company (“Commonwealth”) and Cambridge Electric Light Company (“Cambridge”) (collectively, “Companies” or “COM/Elec”) filed their 2001 Reconciliation Filing for approval by the Department of Telecommunications and Energy (“Department”). Included in this filing is a reconciliation of 2001 transition, transmission, standard offer service (“SOS”), and default service costs and revenues, and proposed updated charges and tariffs to be effective January 1, 2002. In addition, the Companies filed a proposed adjustment to their standard offer service fuel adjustment (“SOSFA”) factor on December 3, 2001 (“2002 SOSFA Proposal”), also with an effective date of January 1, 2002.¹

The Department docketed the filing as D.T.E. 01-79. The Companies’ last reconciliation filing was approved subject to further investigation. Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 00-83 (2000). The Companies’ last SOSFA was approved in Standard Offer Service Fuel Adjustments, D.T.E. 00-66, 00-67, 00-70, Letter Order (December 4, 2000) (“December 4, 2000 Letter Order”).

On December 6, 2001, the Department requested comments on the Companies’ 2001 Reconciliation Filing and 2002 SOSFA Proposal. Notice was sent to all participants in Cambridge Electric Light Company/Commonwealth Electric Company, D.P.U./D.T.E. 97-111

¹ The Company filed the 2002 SOSFA Proposal in a separate filing. The Department, on its own motion, consolidates these two filings. 220 C.M.R. § 1.09; Standard Offer Service Fuel Adjustments, D.T.E. 00-66, 00-67, 00-70, at 15, Letter Order (December 4, 2000).

(1998), D.T.E. 98-78/83 (1998), D.T.E. 99-90 (2001), and D.T.E. 00-83. Comments were received from the Attorney General of the Commonwealth of Massachusetts (“Attorney General”) on December 14, 2001 (“Comments”). The Companies filed reply comments on December 20, 2001 (“Reply”).

II. DESCRIPTION OF PROPOSED TARIFFS

According to the Companies, the rate adjustments affect COM/Elec’s SOS, transmission service, demand-side management, renewables, and transition charges. The Companies state that the proposed changes in rates, effective January 1, 2002, include the following: average transition charge rates of \$0.02910 per kilowatt-hour (“KWH”) for Commonwealth and \$0.01196 per KWH for Cambridge; average transmission charge rates of \$0.00464 per KWH for Commonwealth and \$0.01079 per KWH for Cambridge; a default service adjustment factor of \$0.0025 for Cambridge; and a SOSFA of \$0.01426 per KWH for both Companies.² The Companies also state their rate adjustments include a base SOS charge for both Companies of \$0.042 per KWH. Further, the Companies claim their 2001 Reconciliation Filing decreases charges for energy efficiency and renewables programs pursuant to G.L. c. 25, §§ 19 and 20 as well as decreases some rate classes’ base distribution rates to comply with G.L. c. 164, § 1B(b) and the Department’s rate design directives. Finally, the Companies state that they have

² The Companies propose to reduce the SOSFA factor from the current level of \$0.02551 per KWH to \$0.01426 per KWH resulting in a decrease of \$0.01125 per KWH. The proposed SOSFA factor of \$0.01426 per KWH would be added to the 2002 base SOS price of \$0.042 per KWH resulting in a total SOS price of \$0.05626 per KWH (2002 SOSFA Proposal at 1).

applied to their transition charges the method for reconciling transition charge revenues and expenses that was approved by the Department for Boston Edison Company in D.T.E. 00-82 (Phase II).

III. POSITIONS OF THE PARTIES

The Attorney General urges the Department to reject the Companies' proposed tariffs because he is concerned the Companies may be inappropriately shifting costs from the transition charge to SOS (Comments at 2). The Attorney General also is concerned that the implementation of the SOSFA could result in over-collection (id.).

The Companies argue that there is no inappropriate shifting of costs from the transition charge to SOS (Reply at 2). The Companies state that they have implemented the method for reconciling transition charge revenues as set forth in the settlement agreement for Boston Edison Company that was approved by the Department on November 16, 2001 (2001 Reconciliation Filing at 2). See Boston Edison Company, D.T.E. 00-82 (Phase II) (2001). The Companies also argue that the proposed method for reconciling transition charge revenues eliminates unnecessary deferrals and over-collections for SOS and maximizes the mitigation of transitions costs (Reply at 2). The Companies argue that the Attorney General's concern regarding over-collection in the SOSFA is unwarranted (id. at 2). The Companies claim that the lag in implementing a potential decrease in the SOSFA during 2002 will be offset partially by the lag in implementation of the SOSFA in 2001 (id. at 3).

IV. ANALYSIS AND FINDINGS

Further investigation of this filing is necessary to reconcile actual revenues collected with actual expenses incurred. In addition, the Department finds that applying the method for reconciling transition charge revenues and expenses approved for Boston Edison Company in D.T.E. 00-82 (Phase II) to the transition charges of Cambridge and Commonwealth is not appropriate because the Companies were not parties to that settlement agreement. The Companies must reconcile their transition charges in a manner consistent with their Restructuring Plan and D.T.E. 99-90. Therefore, the tariffs filed by the Companies on December 3, 2001, for consumption on and after January 1, 2002, are not in compliance with Department precedent³ and are rejected.

On December 4, 2000, the Department allowed the Companies to implement a SOSFA factor as a result of substantial increases in fuel costs, which caused the Companies to accrue deferrals at a significant and highly problematic rate. Standard Offer Service Fuel Adjustment, D.T.E. 00-66, 00-67, 00-70 (December 4, 2000 Letter Order at 3). The Companies propose to continue implementation of a SOSFA factor during 2002. For the period beginning January 1, 2002, the Companies propose a SOSFA factor at \$0.01426 per KWH, a decline of \$0.01125 per KWH from the existing SOSFA factor of \$0.02551.⁴ The lower SOSFA factor is based on a decline in fuel costs that has occurred since approximately mid-2001. While these

³ Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 99-90, Letter Order (December 17, 1999); Standard Offer Service Fuel Adjustment, D.T.E. 00-66, 00-67, 00-70, Letter Order (December 4, 2000).

⁴ Cambridge and Commonwealth indicate that their SOSFA will be implemented only through June 30, 2002 (Exh. CAM-RAP-2 at 8, and COM-RAP-2 at 7).

fuel costs have declined, the SOSFA trigger formula is based on a twelve-month historic “rolling” average of natural gas and fuel oil prices, applied prospectively once a threshold level is exceeded.⁵ Therefore, although energy prices were rising, implementation of the SOSFA factor was delayed until the historic average of fuel prices exceeded the threshold. While this rolling average delayed implementation of the SOSFA factor, it also delays the point at which the declining fuel prices cause the rolling average to fall below the threshold level. Therefore, the Department will allow the continuance of the SOSFA factor while the formula is above the threshold level.

As energy prices continue to decline, it is estimated that fuel prices will fall below the threshold level after March of 2002. Therefore, no good cause exists at this time to extend application of the SOSFA factor beyond this period.⁶ Accordingly, the Companies are permitted to apply a SOSFA factor of \$0.01426 per KWH to electricity consumed on and after January 1, 2002 but only through March 31, 2002. At that time, the Companies may make a demonstration that fuel prices warrant a continued implementation of the SOSFA factor.

The Department directs the Companies to revise their 2001 Reconciliation Filing as well as proposed tariffs in accordance with this Order. These revisions shall include (1) applying the method for reconciling transition charge revenues and expenses in a manner consistent with their Restructuring Plan and D.T.E. 99-90; and (2) the application of a SOSFA

⁵ Cambridge Electric Light Company, M.D.T.E. No. 755, Commonwealth Electric Company, M.D.T.E. No. 491.

⁶ Fitchburg Gas and Electric Light Company and Massachusetts Electric Company, unlike Cambridge and Commonwealth, incur costs directly related to the fuel mechanism.

through March 31, 2002. This revised filing must be made within five days of the date of this Order.

V. ORDER

After due notice and consideration, it is

ORDERED: That the tariffs filed by Commonwealth Electric Company with the Department on December 3, 2001, M.D.T.E. Nos. 497 through and including 512, are REJECTED; and it is

FURTHER ORDERED: That the tariffs filed by Cambridge Electric Light Company with the Department on December 3, 2001, M.D.T.E. Nos. 761 through and including 778, are REJECTED; and it is

FURTHER ORDERED: That the rate changes for Commonwealth Electric Company and Cambridge Electric Light Company are REJECTED; and it is

FURTHER ORDERED: That a standard offer service fuel adjustment of \$0.01426 per KWH is approved for electricity consumed on and after January 1, 2002 through March 31, 2002; and it is

FURTHER ORDERED: That Commonwealth Electric Company and Cambridge Electric Light Company shall file a compliance filing incorporating the directives contained within this Order within five days of the date of this Order; and it is

FURTHER ORDERED: That Commonwealth Electric Company and Cambridge Electric Light Company comply with any and all other directives contained in this Order.

By Order of the Department,

James Connelly, Chairman

W. Robert Keating, Commissioner

Paul B. Vasington, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Deirdre K. Manning, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).